

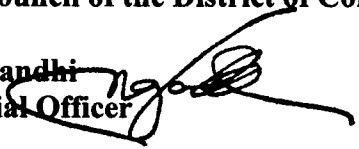
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** July 15, 2008

**SUBJECT:** Fiscal Impact Statement: "EC 12 Economic Development Act of 2008"

**REFERENCE:** Draft – Bill Number Not Available

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**Conclusion**

Funds are sufficient in the FY 2008 budget, but are not sufficient in the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The legislation is projected to result in revenues lost to the General Fund of approximately \$271,742 in FY 2009 through FY 2012.

**Background**

The EC 12 project is the reconstruction of a vacant firehouse, located in Square 3101 Lot 0001 at 1626 North Capitol Street, NW, into a restaurant, parking, and other ancillary improvements. In July 2006, the Council approved a resolution authorizing the Mayor to sell the firehouse to NC Firehouse, LLC for \$600,000. The resolution required NC Firehouse, LLC to restore the property, and to develop a full service sit-down restaurant, ground floor retail space, and cultural space available to the public. NC Firehouse, LLC closed on the property in March 2008, and the property is now privately owned and on the property tax rolls.

The "EC 12 Economic Development Act of 2008" would grant a 10 year exemption from real property taxes to the EC 12 property. The legislation also would grant the EC 12 project an exemption from sales taxes on construction materials used during the

rehabilitation. The value of both exemptions may not exceed \$6 million in total. The bill does not outline the justification for the exemptions.

### **Financial Plan Impact**

Funds are sufficient in the FY 2008 budget, but funds are not sufficient in the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Because the property is privately owned, it is currently taxable. The proposed legislation would exempt the property from taxes that are currently estimated to be collected from the property. Based on assumptions regarding the timing of the development, growth of property values, the cost of the renovations, and sales taxes foregone during construction, the proposed legislation would have a fiscal impact of approximately \$271,742 in FY 2009 through FY 2012.

Table 1. Estimated Impact to the Financial Plan of EC 12 Economic Development Act of 2008					
Item	FY 2009	FY 2010	FY 2011	FY 2012	4 - Year Total
Property Tax	(\$17,237)	(\$46,250)	(\$62,167)	(\$77,088)	(\$202,742)
Sales Tax	(\$51,750)	(\$17,250)	\$0	\$0	(\$69,000)
<b>Total Reduced Revenue</b>	<b>(\$68,987)</b>	<b>(\$63,500)</b>	<b>(\$62,167)</b>	<b>(\$77,088)</b>	<b>(\$271,742)</b>